ANNUAL REPORT
FOR THE YEAR ENDED MARCH 31, 1986

PDD

THE POWER DISTRIBUTION DISTRICT OF NEWFOUNDLAND AND LABRADOR

15TH P.D.D. REPORT

FOR THE YEAR ENDED MARCH 31, 1986

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MEMBERS OF THE BOARD OF TRUSTEES

Cyril J. Abery	-	Chairman
T. David Collett	-	Vice-Chairman
R. Andrew Grant	-	Member
Leo J. Cole	-	Member
David W. Mercer	-	Member
Garland W. Jennings	-	Member

BUSINESS OF THE POWER DISTRIBUTION DISTRICT OF NEWFOUNDLAND AND LABRADOR

The Board of Trustees of the Power Distribution District of Newfoundland and Labrador (P.D.D.) is a Provincial Crown Corporation which operates under authority of the Rural Electrification Act, Chapter 340 of the Revised Statutes of Newfoundland, 1970, reporting to the Minister of Mines and Energy. It is one of two major retail suppliers of electricity in the Province of Newfoundland and Labrador supplying approximately 15% of the retail customers in the Province.

The Board is responsible for the provision of generating capacity for the isolated diesel-electric systems, the purchase of power from the bulk power grids for subsequent distribution to its customers and the construction and operation of distributing facilities. Given the rural nature of the system, it is not possible to recover all costs from the rates charged to customers and so the operating costs of the board are covered by revenue from customers and a Provincial Government subsidy for the resulting deficit. For the fiscal year 1985/86 revenues accounted for 56% of total costs and the subsidy 44%.

The P.D.D. of Newfoundland and Labrador is managed directly by Newfoundland and Labrador Hydro (Hydro). At present P.D.D. has no employees itself and is completely administered by employees of Hydro. The work program for 1985/86 was carried out by some 590 employees of whom 369 devoted full time to P.D.D. with the remainder providing part of their time on P.D.D. matters. The operating costs of P.D.D. are kept distinct and separate from that of Hydro and the capital works required for rural electrification are funded, constructed and owned by Hydro. The full costs of such works, including depreciation and interest, are recovered by Hydro from P.D.D. over the estimated life of each asset. The accounts of the Board are subject to audit by the Auditor General of Newfoundland and Labrador.

At the end of the current fiscal year P.D.D. served a total of 26,249 customers from 37 isolated diesel systems and 12 points of interconnection with the bulk power networks in the province. P.D.D. operated diesel systems with a total installed capacity of 59.6 MW (including 17.0 MW of installed standby capacity) and three small hydro-electric plants with a total capacity of 1.3 MW. In all P.D.D. serves about 75,000 people living in more than 220 rural communities throughout the Island and Labrador.

REVIEW OF OPERATIONS

The P.D.D. served a total of 26,249 customers (including 778 street light customers) at the end of the 1985/86 fiscal year. This is an increase of 5.4% over the previous year and largely results from the takeover of the distribution system in Wabush which added 911 customers. Approximately 37% of P.D.D.'s customers are served from diesel systems and 63% are served from the interconnected system.

The demand for electrical energy continued to increase during the year. Sales on the diesel system were up 4.8% from the previous year to 87.0 GWh. Sales on the interconnected systems totalled 323.3 GWh for an increase of 10.0% over last year. Total sales of 410.3 GWh reflected an overall increase of 8.9%. Again part of the reason for such strong growth is attributable to the Wabush take over.

Total production from diesel generation was 98.8 GWh. In addition 4.6 GWh was produced by hydro plants at Snook's Arm and Venom's Bight and 0.84 GWh produced by the Roddickton mini hydro plant. 350.9 GWh of energy was purchased from Newfoundland and Labrador Hydro.

P.D.D. introduced a fuel efficiency program in 1984 for its fully manned diesel plants and in 1985 extended this

program to its semi-attended plants. Fuel savings during the fiscal year of 1985/86 resulting from this program were some $280,000.

On September 1, 1985, the distribution system in the town of Wabush was taken over by P.D.D. Given the deteriorated condition of the system a construction program was immediately necessary to improve it to a satisfactory level and provide customers with reliable service. An area supervisor, line crew and office staff were hired and P.D.D. operated throughout the 1985/86 winter with very few interruptions in service. The construction program undertaken will be completed during the 1986/87 year at a total cost of about $3.2 million.

The figures above for the interconnected systems include the Town of Wabush as of September 1, 1985. Wabush has a total of 911 metered domestic, commercial and industrial customers. From September 1, 1985 to March 31, 1986, the sales in Wabush totalled 22.9 GWh. 27.4 GWh were purchased from Newfoundland and Labrador Hydro at the Wabush Terminal Station. The peak for the Wabush townsite load to date is 8.1 MW.

During 1985/86, the communities of Croque and Grandois were interconnected with Main Brook and the diesel generating plants in these communities were closed down. This interconnection was carried out to reduce costs and improve service.

The total expenses, including principal repayment of long-term debt, were $50,952,000 and exceeded revenue by $22,504,000. The subsidy from Government during the fiscal year was $23,300,000 and the excess of $796,000 will be refunded. It should be noted that the subsidy from Government for the year 1985/86 was less than the subsidy for the year 1984/85 by $449,000 or 2%.

Diesel generation for the fiscal year resulted in the consumption of approximately 29.9 million litres of diesel fuel. Fuel costs for the year were $10,817,000. This was higher than the 1984/85 fuel cost by $674,000.

The P.D.D. annual load forecast plays a primary role in its planning and budgeting process; in determining generation and distribution upgrading requirements, fuel and storage requirements, and in the calculations of revenue. P.D.D. has improved the accuracy and reliability of the load forecasting methods by the aid of computers, and it is now possible to analyze each diesel system and each class of customer as necessary.

CAPITAL PROGRAM:

The P.D.D. Capital Program for 1985/86 amounted to a total of $7,950,000.

Included in the Capital Program was the installation of additional generation due to increased loads in Main Brook. Oil storage facilities were increased and/or brought up to environmental and safety standards in St. Lewis, Makkovik and Rigolet.

As previously noted, an extensive capital program was carried out in Wabush to upgrade the distribution system to an acceptable and safe level to carry the 1985/86 winter load. This capital upgrading will be completed in 1986.

The construction of a distribution line between Charlottetown and Pinsent's Arm (on the south coast of Labrador) to provide the community of Pinsent's Arm with electricity was commenced and substantially completed in 1985/86. The community will be supplied with electricity for the first time early in the 1986/87 fiscal year.

General upgrading and pole replacement was carried out throughout the P.D.D. distribution systems in Labrador and on the Island to meet increasing loads and to maintain these system in a safe and reliable level.

Additional poles and lines were constructed to accommodate services to new airports in Labrador and new customers throughout the areas serviced by P.D.D.

Overall, P.D.D. experienced a good year in 1985/86. Improvements were made in operational efficiency and in various facilities in the continuing effort to provide a good quality service without increasing the overall deficit significantly.

DEPARTMENT OF THE AUDITOR GENERAL
ST. JOHN'S, NEWFOUNDLAND

BOARD OF TRUSTEES

THE POWER DISTRIBUTION DISTRICT OF NEWFOUNDLAND AND LABRADOR

FINANCIAL STATEMENTS
31 MARCH 1986

DEPARTMENT OF THE AUDITOR GENERAL
ST. JOHN'S, NEWFOUNDLAND

AUDITOR'S REPORT

Board of Trustees of the
Power Distribution District
of Newfoundland and Labrador
St. John's, Newfoundland

In accordance with the provisions of Section 17(1) of The Rural Electrification Act, Chapter 340 of the Revised Statutes of Newfoundland, 1970, I have examined the balance sheet of the Board of Trustees of The Power Distribution District of Newfoundland and Labrador as at 31 March 1986 and the statements of income and deficit for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Board as at 31 March 1986 and the results of its operations for the year then ended in accordance with the accounting principles described in Note 1 to the financial statements applied on a basis consistent with that of the preceding year.

J.F. McGrath, C.A.
Auditor General

St. John's, Newfoundland
25 August 1986

BOARD OF TRUSTEES

THE POWER DISTRIBUTION DISTRICT OF NEWFOUNDLAND AND LABRADOR

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31 MARCH 1986

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STATEMENT 1

BOARD OF TRUSTEES

THE POWER DISTRIBUTION DISTRICT OF NEWFOUNDLAND AND LABRADOR

BALANCE SHEET

31 MARCH 1986

	1986 (000)	1985 (000)
ASSET		
Current asset		
Due from Newfoundland and Labrador Hydro	$ 796	$ 447
LIABILITIES LESS DEFICIT		
Current liabilities		
Due to the Province of Newfoundland	$ 796	$ 447
Long-term debt due within one year	496	462
Total current liabilities	1,292	909
Long-term debt (Note 2)	3,804	4,300
Total liabilities	5,096	5,209
Deficit	4,300	4,762
Total liabilities less deficit	$ 796	$ 447

See accompanying notes

Signed on behalf of the Board

Chairman

Member

STATEMENT 2

BOARD OF TRUSTEES
THE POWER DISTRIBUTION DISTRICT OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF INCOME
FOR THE YEAR ENDED 31 MARCH 1986

	1986 (000)	1985 (000)
Revenue		
Energy sales	$24,809	$22,583
Fuel escalation (Note 3)	2,728	1,998
Other (Note 4)	911	351
	28,448	24,932
Expenses		
Operations and administration	18,183	16,952
Power purchased	15,460	14,878
Fuels	10,817	10,143
Depreciation	1,483	1,338
Interest (Note 5)	4,547	4,127
	50,490	47,438
Net loss before subsidy	22,042	22,506
Subsidy (Note 6)	22,838	22,953
Net income	796	447
Net income transferred to Province of Newfoundland	796	447
	$ -	$ -

STATEMENT 3

BOARD OF TRUSTEES
THE POWER DISTRIBUTION DISTRICT OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF DEFICIT
FOR THE YEAR ENDED 31 MARCH 1986

	1986 (000)	1985 (000)
Balance, beginning of year	$ 4,762	$ 5,209
Contribution for principal repayment of long-term debt (Note 6)	462	447
Balance, end of year	$ 4,300	$ 4,762

See accompanying notes

BOARD OF TRUSTEES

THE POWER DISTRIBUTION DISTRICT OF NEWFOUNDLAND AND LABRADOR

NOTES TO FINANCIAL STATEMENTS

31 MARCH 1986

The Board of Trustees of The Power Distribution District of Newfoundland and Labrador ("P.D.D.") is a statutory corporation of The Province of Newfoundland (the "Province") established under The Rural Electrification Act and is responsible for the generation and distribution of electricity at subsidized rates to its customers in certain areas of the Province.

1. Accounting policies

Administrative agreement

P.D.D. entered into an Administrative Agreement effective 1 April 1980 with Newfoundland and Labrador Hydro ("Hydro") whereby Hydro acquired all of P.D.D.'s assets. Under the terms of this agreement Hydro will finance all future capital requirements of P.D.D. and continue to manage P.D.D.'s operating responsibilities.

P.D.D. will continue to be supplier of record to its customers and will reimburse Hydro fully for all costs associated with serving these customers, including financing and depreciation costs of its capital requirements.

Capitalized expenses

It is the policy of P.D.D. to capitalize a portion of operating costs as an estimate of the cost incurred in its function of providing services to capital construction projects. This allocation to the projects is determined monthly by calculating 4.5% of the capital costs incurred during the month. In addition, salary costs are added to the projects as a direct charge. In the fiscal year 1985-86 $1,759,000 was capitalized (1984-85 $1,900,000).

Revenue

P.D.D. revenue is derived from the sale of electricity to ultimate consumers, both domestic and commercial, in certain areas of the Province. Revenue recognition follows an accepted accounting practice in the utility industry whereby monthly sales are accrued and recorded on the basis of meter readings made throughout the month.

BOARD OF TRUSTEES

THE POWER DISTRIBUTION DISTRICT OF NEWFOUNDLAND AND LABRADOR

NOTES TO FINANCIAL STATEMENTS

31 MARCH 1986

2. Long-term debt

	1986 (000)	1985 (000)
Debentures		
Newfoundland Municipal Financing Corporation	$ 1,560	$ 1,903
Government of Canada Loans		
Municipal Development Loan Board	2,406	2,513
Northern Canada Power Commission	334	346
	4,300	4,762
Less payments due within one year	496	462
	$ 3,804	$4,300

These loans are guaranteed as to principal and interest by the Province except for debentures outstanding of $1,560,000 issued to Newfoundland Municipal Financing Corporation.

Debentures

These debentures bear interest at various rates from 6 3/4% to 9 1/2% and each loan is repayable by 20 equal annual instalments including interest. The years of issue range from 1968 to 1970 and the years of maturity range from 1988 to 1990.

Government of Canada Loans

These loans bear interest at various rates from 5 1/4% to 5 5/8% and each loan is repayable by 30 or 40 equal annual instalments including interest. The years of issue range from 1963 to 1967 and the years of maturity range from 1996 to 2006.

At 31 March 1986 it is estimated that required repayments of long-term debt over the next five years will be as follows:

1986-87	$496,000
1987-88	532,000
1988-89	571,000
1989-90	390,000
1990-91	271,000

BOARD OF TRUSTEES

THE POWER DISTRIBUTION DISTRICT OF NEWFOUNDLAND AND LABRADOR

NOTES TO FINANCIAL STATEMENTS

31 MARCH 1986

3. Fuel escalation

Effective 1 January 1986 P.D.D.'s basic rates were adjusted to reflect an alteration in its rate structure due to the inclusion by Hydro of all of its thermal generation costs in the basic rates Hydro charges its retail customers. This change in rate structure has resulted in the elimination of the Fuel Escalation charge from consumers bills.

4. Other revenue

Other revenue includes a $500,000 contribution from Wabush Mines in 1985-86 as specified in the terms of an agreement between P.D.D. and Wabush Mines to take over the Wabush Distribution System.

5. Interest expense

Interest expense of $4,547,000 includes $311,000 on long-term debt (1984-85 $342,000).

6. Subsidy

P.D.D. receives an annual subsidy from the Province representing the difference between the annual revenues and costs of P.D.D. as well as an amount to cover principal repayment of P.D.D.'s long-term debt.

The total subsidy for the year is $22,504,000 (1984-85 $22,953,000) comprised of the net operating subsidy of $22,042,000 (1984-85 $22,506,000) and contribution for principal repayment of long-term debt of $462,000 (1984-85 $447,000).

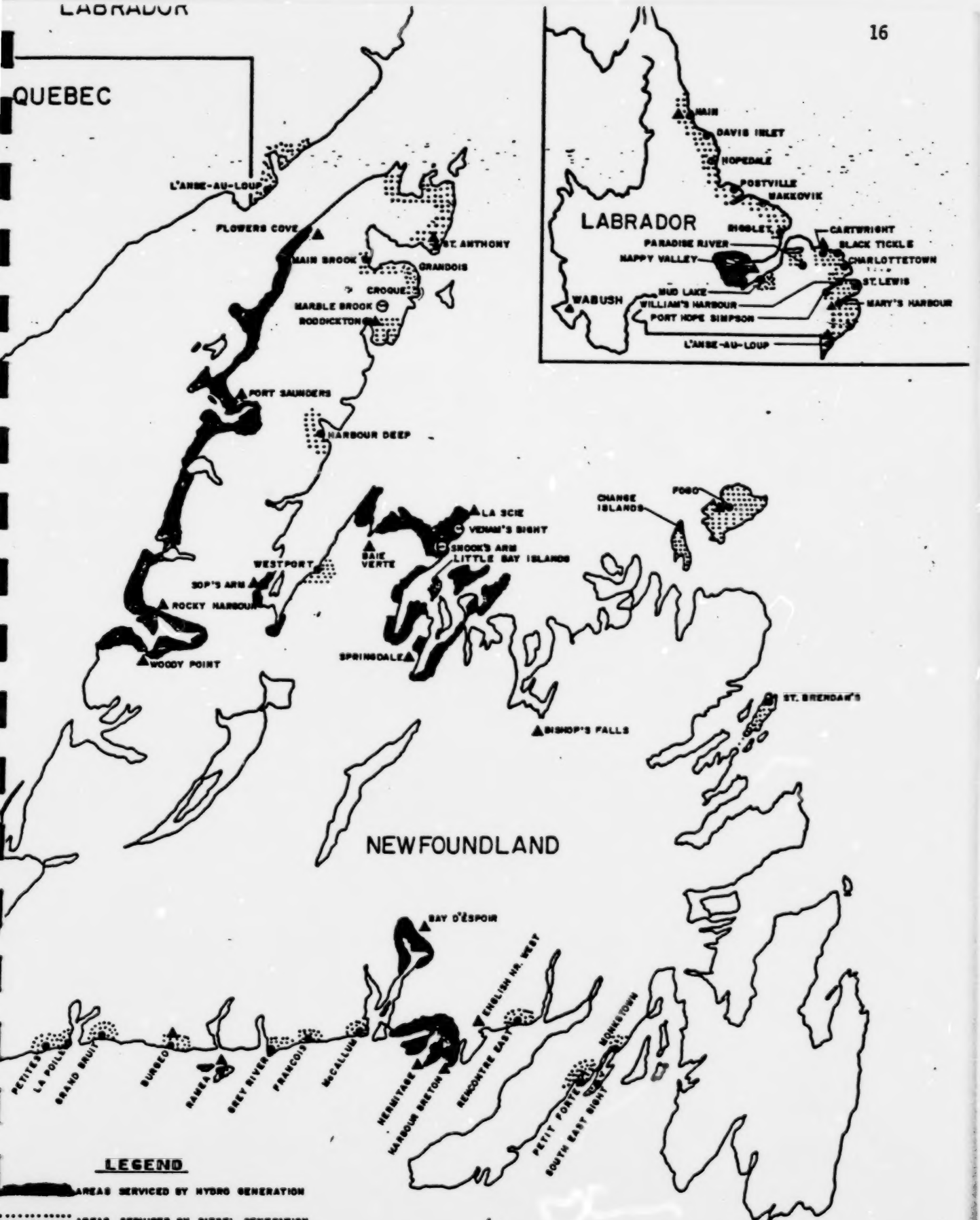
7. Comparative figures

Certain comparative figures for 1984-85 have been reclassified to conform with the current year's presentation.

OPERATING STATISTICS

		1985/86
1.	NUMBER OF DIESEL SYSTEMS	37
2.	NUMBER OF POWER PURCHASE POINTS	12
3.	NUMBER OF CUSTOMERS - Diesel Systems	9,733
	- Interconnected Systems	16,516
4.	INSTALLED GENERATING CAPACITY (MW)	
	Diesel Plants - Continually Operating	42.6
	- Stand-by	17.0
	Hydro Plants - Snook's Arm & Venam's Bight	0.9
	- Roddickton Mini Hydro	0.4
5.	ENERGY PRODUCED AND PURCHASED (MWh)	
	Diesel Production - Continually Operating Plants	97,965
	- Stand-by Plants	793(1)
	Hydro Production - Snook's Arm & Venam's Bight	4,581
	- Roddickton Mini Hydro	835(1)
	Purchased - Nfld. and Labrador Hydro	350,887
	Total	455,061
6.	NON-COINCIDENT PEAK (MW)	
	Diesel Systems	28.4(2)
	Interconnected Systems	83.3
7.	SALES (MWh)	
	Diesel Systems	87,060
	Interconnected Systems	323,322
	Total	410,382
8.	FINANCIAL DATA	
	Operating Revenue	28,448,000
	Operating Expenses	50,952,000(3)
	Operations Subsidy	22,504,000

(1) Includes Station Service
(2) Includes Stand-by Plants at Flower's Cove and Pond Cove.
(3) Includes principal repayment on long term debt of $462,00


LABRADOR
QUEBEC
L'ANSE-AU-LOUP
FLOWERS COVE
ST. ANTHONY
MAIN BROOK
GRANDOIS
CROQUE
MARBLE BROOK
RODDICKTON
PORT SAUNDERS
HARBOUR DEEP
LA SCIE
VENAM'S BIGHT
SHOAL'S ARM
LITTLE BAY ISLANDS
BAIE VERTE
WESTPORT
SOP'S ARM
ROCKY HARBOUR
WOODY POINT
SPRINGDALE
CHANGE ISLANDS
FOGO
ST. BRENDAN'S
BISHOP'S FALLS
NEWFOUNDLAND
BAY D'ESPOIR
ENGLISH HR. WEST
RENCONTRE EAST
MONKSTOWN
PETIT FORTE
SOUTH EAST BIGHT
HERMITAGE
HARBOUR BRETON
MCCALLUM
FRANCOIS
GREY RIVER
RAMEA
BURGEO
PETITES
LA POILE
GRAND BRUIT
LABRADOR
MAIN
DAVIS INLET
HOPEDALE
POSTVILLE
MAKKOVIK
BIGGLET
CARTWRIGHT
PARADISE RIVER
BLACK TICKLE
HAPPY VALLEY
CHARLOTTETOWN
ST. LEWIS
MUD LAKE
WABUSH
WILLIAM'S HARBOUR
MARY'S HARBOUR
PORT HOPE SIMPSON
L'ANSE-AU-LOUP
LEGEND
AREAS SERVICED BY HYDRO GENERATION
AREAS SERVICED BY DIESEL GENERATION
DIESEL GENERATING PLANT

P.D.D. COMMUNITIES SERVED BY DIESEL SYSTEMS

CENTRAL AREA

CHANGE ISLANDS
FOGO
- Barr'd Islands
- Deep Bay
- Fogo (Town of)
- Island Harbour
- Joe Batt's Arm
- Little Seldom
- Payne's Harbour
- Sandy Cove
- Shoal Bay
- Stag Harbour
- Tilting

LITTLE BAY ISLANDS
MONKSTOWN
McCallum
PETIT FORTE
RENCONTRE EAST
ST. BRENDAN'S
- Dock Cove
- Hayward's Cove
- Shalloway Cove
- St. Brendan's

SOUTH EAST BIGHT
WESTPORT
- Purbeck's Cove
- Westport

NORTHERN AREA

CHARLOTTETOWN
MAIN BROOK
- Croque
- Grandois
- Main Brook
- St. Julien's

HARBOUR DEEP
L'ANSE AU LOUP
- Capstan Island
- English Point
- Forteau
- Fox Cove
- L'Anse Amour
- L'Anse du Clair
- L'Anse au Diable
- L'Anse au Loup
- Pinware
- Red Bay
- West St. Modeste

MARY'S HARBOUR
- Mary's Harbour
- Lodge Bay

PORT HOPE SIMPSON
RODDICKTON
- Bide Arm
- Conche
- Englee
- Roddickton
- Southwest Crouse

ST. ANTHONY
- Boat Harbour
- Cape Bauld
- Cape Norman
- Cape Onion
- Cook's Harbour
- Fortune Arm
- Goose Cove
- Goose Cove East
- Great Brehat
- Griquet
- Gunner's Cove
- Hay Cove
- L'Anse aux Meadows
- Noddy Bay East
- Noddy Bay West
- Quirpon
- Raleigh
- Ship Cove
- St. Anthony
- St. Anthony Bight
- St. Carol's
- St. Lunaire
- Wild Bight

ST. LEWIS
WILLIAM'S HARBOUR

LABRADOR AREA

BLACK TICKLE
- Black Tickle
- Domino

CARTWRIGHT
DAVIS INLET
HOPEDALE
MAKKOVIK
MUD LAKE
NAIN
PARADISE RIVER
POSTVILLE
RIGOLET

SOUTHERN AREA

BURGEO
FRANCOIS
GRAND BRUIT
GREY RIVER
LaPOILE
PETITES
RAMEA

NOTE:

Community name in capital letters denotes location of diesel generating plant.

P.D.D. COMMUNITIES SERVED BY INTERCONNECTED SYSTEMS

CENTRAL AREA

BARACHOIX
- Gaultois
- Grole
- Harbour Breton
- Hermitage
- Pass Island
- Sandyville
- Seal Cove

CONNE RIVER

ENGLISH HARBOUR WEST
- Belleoram
- Boxey
- Coomb's Cove
- English Hr. West
- Mose Ambrose
- Pool's Cove
- St. Jacques
- Wreck Cove

FLEUR DE LYS
- Coachman's Cove
- Fleur de Lys

HEAD BAY D'ESPOIR
- Head Bay d'Espoir
- Milltown
- Morrisville
- St. Alban's
- St. Joseph's Cove
- St. Veronica's
- Swanger Cove

KING'S POINT
- Harry's Harbour
- Jackson's Cove
- King's Point
- Langdon's Cove
- Nick's Nose Cove
- Rattling Brook
- Silverdale

LITTLE BAY
- Beachside
- Coffee Cove
- Little Bay
- St. Patrick's

MING'S BIGHT
- Brent's Cove
- Burlington
- Harbour Round
- King's Harbour
- LaScie
- Middle Arm
- Ming's Bight
- Nipper's Harbour
- Pacquet
- Round Harbour
- Shoe Cove
- Smith's Harbour
- Snook's Arm
- Tilt Cove
- Woodstock

SOUTH BROOK
- Beaumont North
- Beaumont South
- Brighton
- Card Harbour
- Jim's Cove
- Lushe's Bight
- Mile's Cove
- Pilley's Island
- Port Anson
- Robert's Arm
- South Brook
- Triton

WHITE BAY
- Bayside
- Beaches
- Godfather's Cove
- Hampden
- Jackson's Arm
- Pollard's Point
- Sop's Arm
- Wick's Cove

WESTERN AREA

COW HEAD
- Belldowns Point
- Cow Head
- St. Paul's

DANIEL'S HARBOUR
- Bellburns
- Daniel's Harbour
- Portland Creek

FLOWER'S COVE/POND COVE
- Anchor Point
- Bartlett's Harbour
- Bear Cove
- Bird Cove
- Black Duck Cove
- Blue Cove
- Brig Bay
- Castor's River
- Castor's River South
- Deadman's Cove
- Eddie's Cove
- Flower's Cove
- Forrester's Point

FLOWER'S COVE/POND COVE (cont'd.)
- Green Island Brook
- Green Island Cove
- Lower Cove
- Mount St. Margaret
- Nameless Cove
- New Ferrole
- Payne's Cove
- Pigeon Cove
- Plum Point
- Pond Cove
- Reef's Harbour
- Sandy Cove
- Savage Cove
- Shoal Cove
- Shoal Cove East
- St. Barbe

GLENBURNIE
- Birchy Head
- Curzon
- Glenburnie

GLENBURNIE (cont'd)
- Shoal Brook
- Trout River
- Winterhouse Brook
- Woody Point

HAWKE'S BAY
- Eddie's Cove West
- Hawke's Bay
- Port au Choix
- Port Saunders
- River of Ponds

PARSON'S POND
- Parson's Pond
- Three Mile Rock

ROCKY HARBOUR
- Baker's Brook
- Green Point
- Norris Point
- Rocky Harbour
- Sally's Cove

WILTONDALE

LABRADOR AREA

HAPPY VALLEY - GOOSE BAY
- Goose Bay
- Happy Valley
- North West River
- Sheshatsui

WABUSH AREA

WABUSH

NOTE:

Community name in capital letters denotes interconnection point with bulk power interconnection.